

# Strategic Management – Complex Decision Making Process

Ion Popa, Cosmin Dobrin

Academy of Economic Studies București, Str. Căderea Bastiliei, Piața Romană, nr. 6, Sector 1, București  
e-mail: popaion\_2000@yahoo.com

## Abstract

*The strategic decisions represent the most important “products” of the managerial act by constituting the profound and final responsibility (which cannot be delegated) of the general manager. They are adopted in uncertainty conditions (the internal and external information system, quantitatively and qualitatively, refers to an uncertain future) and a risk which is always high (the future of the company is at stake); the choice of one strategy is an unique decision by which the manager chooses the way for the company to follow.*

**Key words:** *strategic management, the operational decisions, the tactical decisions, the strategic decisions*

Being a complex knowledge, reasoning and action process, management is exerted through decisions. The management of each activity or the economic field require complex informing, precise measurements and thorough analysis of the circumstances under which decision are to be made.

The decisions made and applied within an organization may be divided into three categories:

- **The operational decisions** have as a goal the obtaining of the maximum profit from the current operations; setting prices, inventories level, production volume or sales volume – these are only a few examples.

These decisions are characterized by the fact they are numerous, daily and repetitive, they address generally subsystems of the company and have short term effects. The operational activities may be decentralized and delegated due to the limited level of risk and uncertainty.

- **The tactical decisions**, are basically more rare than the above mentioned ones and are exceptional decisions, hard to foresee, to organize and apply, based on the identification of some distance between the objectives and the anticipations on one side and the effective realizations on the other side: decision for rectifying the quality of products, of delivery dates, of the degree of absence etc.
- **The strategic decisions** – refer to the products and the market the company chose, major objectives: extension, diversification etc. They are situated at the interface between the company and the environment and regard the company’s evolution on the long term.

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manager. They are adopted in uncertainty conditions (the internal and external information system, quantitatively and qualitatively, refers to an uncertain future) and a risk which is always high (the future of the company is at stake); the choice of one strategy is a unique decision by which the manager chooses the way for the company to follow.

A complex decisional problem has, according to Steinbruner, three essential features:

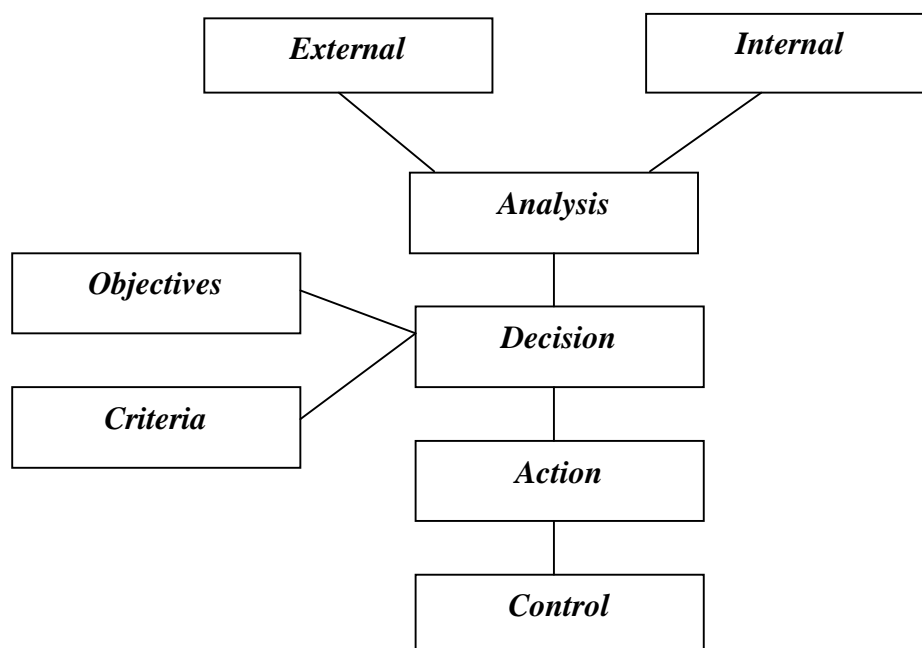
- two or more values or variables affected by the decision, these being more often than not opposite;
- the decisional situation is clouded in uncertainty;
- the decision making power is divided between more players, individuals and organizations.

The strategic decision answers perfectly to this definition; most of the time it is made by more people, on the basis of an important number of variables and looks at an uncertain and complex future.

The elaboration of strategic decisions is made with the help of *decisional models*.

In this category we may find the model of T. J. McNichols. According to this model (figure 1), any strategic decision is analyzed according to a decisional procedure which comprises 4 stages:

1. **the strategic diagnosis of the company and of its environment** (traditional internal and external analyses);
2. **strategic decision** – assumes the definition of the company's strategic objectives before highlighting the choice of means, that is of strategies to reach them. More often, the strategic decision is analyzed at two levels: global strategy (the company as a whole) and its different strategic segments (portfolio strategy).
3. **materialization of the decision** corresponds to the choice of the definition and of applying the main administration systems which take the strategy from the desire stage to the daily action phase in the company and at all its levels;
4. **control and rephrasing stage.**



**Fig. 1.** The decision making process

Another dynamic model for the strategic decision making process was conceived by Ovidiu Nicolescu.

At the basis of the conceived model there lies the structuring of the decision making process in the following 6 stages:

1. **Identifying and defining the problem** represents the first phase in the elaboration of strategic decisions.

In this stage, the novelty degree of the issue must be determined, meant to indicate the extent to which the experience and the previous processes are used and which are the directions in which efforts must be made for completing the knowledge and work methods;

2. The correct definition of the problem creates the premises of the **adequate specification of the objective.**

The quantitative techniques may be used for measuring the past accomplishments and foresight of some factors and future conditions evolution.

An important part of the analysis is dedicated to the establishment of the correlation between the main objectives of the company regarding the profit, the turnover, the market share etc and the given issue.

3. **Establishing the decision options or alternatives**, of the means to achieve the objective. For this reason, one's own experience, together with the experience of other decision factors' experience with reaching similar objectives is requested.

Moreover, various techniques for harvesting new ideas are used, such as: synectics, brainstorming, Delphi technique etc taking into account that creativity tends to play an increasing role in decision making.

4. Establishing the objective and knowing the possible courses of action create the conditions of **choosing the most convenient of them, which means the decision.**

Beforehand the evaluation criteria must be established, which very often refer to profit, costs, productivity, product quality, export possibilities etc and on the basis of these the courses for reaching the objective are chosen.

The ideal situation is that when the process may develop by using mathematical models, which facilitate the choice of the optimal solution. Furthermore, the complexity of decision making under the present circumstances requires the use of participative means of decision making.

5. The decisional process continues with passing to **implementing the decision.** This stage must be carefully planned, taking a set of measures put as an action plan.

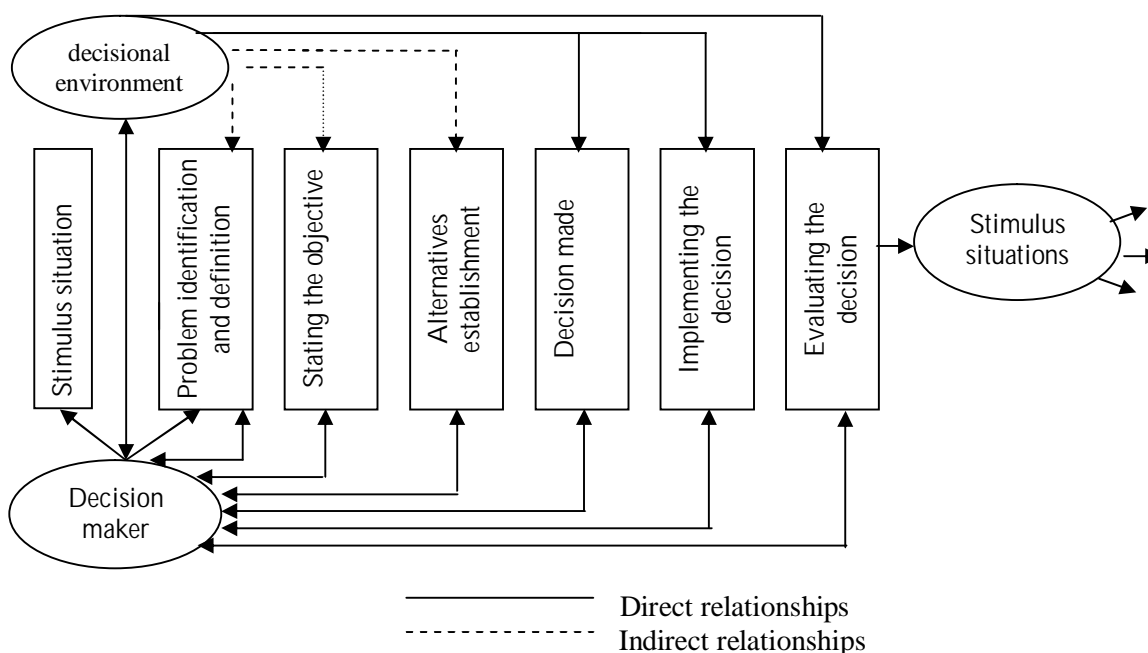
Special attention must be conveyed to preparing the social and psychological climate, especially in the case of decisions which imply radical changes in the activities of the company.

6. The decisional process does not end with the implementation of the decision, but it continues with the **evaluation of the results.**

During this stage, one determines the extent to which the set objectives have been accomplished, the causes which generated the eventual deviations, the unpredictable factors which influenced the process.

The development of the previous stages is critically reexamined, taking out the revisions and the necessary methodological perfections, taking decisions with a view to integrate the justified deviations from the objectives and established decision.

During the actual decision making process, the activities corresponding to different stages are not strictly defined, their order is not rigid. Their integration in a rational sequence of decision operations must not be transformed into an objective to follow at any cost. (see figure 2).



**Fig. 2.** Normative strategic model

Source: Nicolescu, O., Verboncu, I. - *Metodologii manageriale*, Editura Tribuna Economică, București, 2002

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## Managementul strategic – procesul complex de adoptare a deciziei

### Rezumat

Deciziile strategice reprezintă “produsele” cele mai importante ale actului managerial, constituind responsabilitatea profundă și finală (ce nu poate fi delegată) a managerului general. Ele sunt adoptate în condiții de incertitudine (sistemul de informații intern și extern, cantitativ și calitativ al acestora, se referă la un viitor incert) și de un risc întotdeauna ridicat (pun în joc viitorul și soarta firmei); alegerea unei strategii este o decizie unică, prin care managerul alege drumul pe care îl va parcurge firma.